

Minerals Management Service, Interior

§ 203.0

Subpart E—Solid Minerals, General [Reserved]

Subpart F—Coal

203.250 Advance royalty.

203.251 Reduction in royalty rate or rental.

Subpart G—Other Solid Minerals [Reserved]

Subpart H—Geothermal Resources [Reserved]

Subpart I—OCS Sulfur [Reserved]

AUTHORITY: 25 U.S.C. 396 *et seq.*; 25 U.S.C. 396a *et seq.*; 25 U.S.C. 2101 *et seq.*; 30 U.S.C. 181 *et seq.*; 30 U.S.C. 351 *et seq.*; 30 U.S.C. 1001 *et seq.*; 30 U.S.C. 1701 *et seq.*; 31 U.S.C. 9701; 43 U.S.C. 1301 *et seq.*; 43 U.S.C. 1331 *et seq.*; and 43 U.S.C. 1801 *et seq.*

Subpart A—General Provisions

SOURCE: 63 FR 2616, Jan. 16, 1998, unless otherwise noted.

§ 203.0 What definitions apply to this part?

Authorized field means a field:

(1) Located in a water depth of at least 200 meters and in the Gulf of Mexico (GOM) west of 87 degrees, 30 minutes West longitude;

(2) That includes one or more pre-Act leases; and

(3) From which no current pre-Act lease produced, other than test production, before November 28, 1995.

Certified unsuccessful well means an original well, or a sidetrack with a sidetrack measured depth of at least 10,000 feet, on your lease that:

(1) You begin drilling on or after March 26, 2003, and before May 3, 2009, and before your lease produces gas or oil from a deep well with a perforated interval the top of which is at least 18,000 feet true vertical depth below the datum at mean sea level (TVD SS);

(2) You drill to at least 18,000 feet TVD SS with a target reservoir on your lease, identified from seismic and related data, deeper than that depth;

(3) Fails to meet the producibility requirements of 30 CFR part 250, subpart A, and does not produce gas or oil, or the MMS agrees is not commercially producible; and

(4) For which you have provided the notices and information in § 203.46.

Complete application means an original and two copies of the six reports consisting of the data specified in 30 CFR 203.81, 203.83 and 203.85 through 203.89, along with one set of digital information, which MMS has reviewed and found complete.

Deep well means either an original well or a sidetrack with a perforated interval the top of which is at least 15,000 feet TVD SS. A deep well subsequently re-perforated less than 15,000 feet TVD SS in the same reservoir is still a deep well.

Determination means the binding decision by MMS on whether your field qualifies for relief or how large a royalty-suspension volume must be to make the field economically viable.

Development project means a project to develop one or more oil or gas reservoirs located on one or more contiguous leases that:

(1) Were issued in a sale held after November 28, 2000;

(2) Are located in a water depth of at least 200 meters and in the GOM wholly west of 87 degrees, 30 minutes West longitude; and

(3) Have had no production (other than test production) before the current application for royalty relief.

Draft application means the preliminary set of information and assumptions you submit to seek a nonbinding assessment on whether a field could be expected to qualify for royalty relief.

Eligible lease means a lease that:

(1) Is issued as part of an OCS lease sale held after November 28, 1995, and before November 28, 2000;

(2) Is located in the Gulf of Mexico in water depths of 200 meters or deeper;

(3) Lies wholly west of 87 degrees, 30 minutes West longitude; and

(4) Is offered subject to a royalty suspension volume.

Expansion project means a project you propose in a Development Operations Coordination Document (DOCD) or a Supplement approved by the Secretary of the Interior after November 28, 1995, that will significantly increase the ultimate recovery of resources from one or more reservoirs that have not produced on a pre-Act lease or a lease issued in a sale held after November 28,

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2000. A significant increase does not simply extend recovery from reservoirs already in production. For a pre-Act lease, the expansion project must also involve a substantial capital investment (e.g., fixed-leg platform, subsea template and manifold, tension-leg platform, multiple well project, etc.). For a lease issued after November 28, 2000, the expansion project must involve a new well drilled into a reservoir that has not previously produced. In all cases, all leases in an expansion project must be wholly located in a water depth of at least 200 meters and in the GOM wholly west of 87 degrees, 30 minutes West longitude.

Fabrication (or start of construction) means evidence of an irreversible commitment to a concept and scale of development. Evidence includes copies of a binding contract between you (as applicant) and a fabrication yard, a letter from a fabricator certifying that continuous construction has begun, and a receipt for the customary down payment.

Field means an area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same general geological structural feature or stratigraphic trapping condition. Two or more reservoirs may be in a field, separated vertically by intervening impervious strata or laterally by local geologic barriers, or both.

Lease means a lease or unit.

New production means any production from a current pre-Act lease from which no royalties are due on production, other than test production, before November 28, 1995. Also, it means any additional production resulting from new lease-development activities on a lease issued in a sale after November 28, 2000, or a current pre-Act lease under a DOCD or a Supplement approved by the Secretary of the Interior after November 28, 1995.

Nonbinding assessment means an opinion by MMS of whether your field could qualify for royalty relief. It is based on your draft application and does not entitle the field to relief.

Original well means a well that is drilled without utilizing an existing wellbore. An original well includes all sidetracks drilled from the original wellbore before the drilling rig moves

off the well location. A bypass from an original well (e.g., drilling around material blocking the hole or to straighten crooked holes) is part of the original well.

Participating area means that part of the unit area that MMS determines is reasonably proven by drilling and completion of producible wells, geological and geophysical information, and engineering data to be capable of producing hydrocarbons in paying quantities.

Performance conditions means minimum conditions you must meet, after we have granted relief and before production begins, to remain qualified for that relief. If you do not meet each one of these performance conditions, we consider it a change in material fact significant enough to invalidate our original evaluation and approval.

Pre-Act lease means a lease that:

- (1) Results from a sale held before November 28, 1995;
- (2) Is located in the GOM in water depths of 200 meters or deeper; and
- (3) Lies wholly west of 87 degrees, 30 minutes West longitude.

Production means all oil, gas, and other relevant products you save, remove, or sell from a tract or those quantities allocated to your tract under a unitization formula, as measured for the purposes of determining the amount of royalty payable to the United States.

Project means any activity that requires at least a permit to drill.

Qualified well means a deep well:

- (1) For which drilling begins on or after March 26, 2003;
- (2) That produces natural gas (other than test production), including gas associated with oil production, before May 3, 2009; and
- (3) For which you have met the requirements prescribed in § 203.43.

Redetermination means our reconsideration of our determination on royalty relief because you request it after:

- (1) We have rejected your application;
- (2) We have granted relief but you want a larger suspension volume;
- (3) We withdraw approval; or
- (4) You renounce royalty relief.

Renounce means action you take to give up relief after we have granted it and before you start production.

Reservoir means an underground accumulation of oil or natural gas, or both, characterized by a single pressure system and segregated from other such accumulations.

Royalty suspension (RS) lease means a lease that:

- (1) Is issued as part of an OCS lease sale held after November 28, 2000;
- (2) Is in locations or planning areas specified in a particular Notice of OCS Lease Sale offering that lease; and
- (3) Is offered subject to a royalty suspension specified in a Notice of OCS Lease Sale published in the FEDERAL REGISTER.

Royalty suspension supplement means a royalty suspension volume resulting from drilling a certified unsuccessful well that is applied to future natural gas and oil production generated at any drilling depth on, or allocated under an MMS-approved unit agreement to, the same lease.

Royalty suspension volume means a volume of production from a lease that is not subject to royalty under the provisions of this part.

Sidetrack means, for the purpose of this subpart, a well resulting from drilling an additional hole to a new objective bottom-hole location by leaving a previously drilled hole. A sidetrack also includes drilling a well from a platform slot reclaimed from a previously drilled well or re-entering and deepening a previously drilled well. A bypass from a sidetrack (e.g., drilling around material blocking the hole, or to straighten crooked holes) is part of the sidetrack.

Sidetrack measured depth means the actual distance or length in feet a sidetrack is drilled beginning where it exits a previously drilled hole to the bottom hole of the sidetrack, that is, to its total depth.

Sunk costs for an authorized field means the after-tax eligible costs that you (not third parties) incur for exploration, development, and production from the spud date of the first discovery on the field to the date we receive your complete application for royalty relief. The discovery well must be qualified as producible under part 250, subpart A of this title. Sunk costs include the rig mobilization and mate-

rial costs for the discovery well that you incurred before its spud date.

Sunk costs for an expansion or development project means the after-tax eligible costs that you (not third parties) incur for only the first well that encounters hydrocarbons in the reservoir(s) included in the application and that meets the producibility requirements under part 250, subpart A of this chapter on each lease participating in the application. Sunk costs include rig mobilization and material costs for the discovery wells that you incurred before their spud dates.

Withdraw means action we take on a field that has qualified for relief if you have not met one or more of the performance conditions.

[63 FR 2616, Jan. 16, 1998, as amended at 67 FR 1872, Jan. 15, 2002; 69 FR 3509, Jan. 26, 2004; 69 FR 24053, Apr. 30, 2004]

§ 203.1 What is MMS's authority to grant royalty relief?

The Outer Continental Shelf (OCS) Lands Act, 43 U.S.C. 1337, as amended by the OCS Deep Water Royalty Relief Act (DWRRA), Public Law 104-58, authorizes us to grant royalty relief in three situations.

(a) Under 43 U.S.C. 1337(a)(3)(A), we may reduce or eliminate any royalty or a net profit share specified for an OCS lease to promote increased production.

(b) Under 43 U.S.C. 1337(a)(3)(B), we may reduce, modify, or eliminate any royalty or net profit share to promote development, increase production, or encourage production of marginal resources on certain leases or categories of leases. This authority is restricted to leases in the Gulf of Mexico (GOM) that are west of 87 degrees, 30 minutes West longitude.

(c) Under 43 U.S.C. 1337(a)(3)(C), we may suspend royalties for designated volumes of new production from any lease if:

- (1) Your lease is in deep water (water at least 200 meters deep);
- (2) Your lease is in designated areas of the GOM (west of 87 degrees, 30 minutes West longitude);
- (3) Your lease was acquired in a lease sale held before the DWRRA (before November 28, 1995);